

PUBLIC DISCLOSURE

October 21, 2013

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

MARTHA'S VINEYARD SAVINGS BANK

Certificate # 90190

78 MAIN STREET

EDGARTOWN, MASSACHUSETTS 02539

**Division of Banks
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Boston, MA 02118**

**Federal Deposit Insurance Corporation
350 Fifth Avenue, Suite 1200
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NOTE:	This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks or the Federal Deposit Insurance Corporation concerning the safety and soundness of this financial institution.
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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Massachusetts Division of Banks (Division) and the Federal Deposit Insurance Corporation (FDIC) to use their authority when examining financial institutions subject to their supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agencies must prepare a written evaluation of the institution's record of meeting the credit needs of its assessment area.

This document is an evaluation of the CRA performance of Martha's Vineyard Savings Bank (MVSb), prepared by the Division and the FDIC, the institution's supervisory agencies as of October 21, 2013. The agencies evaluate performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include visits to some, but not necessarily all of the institution's branches. The Division rates the CRA performance of an institution consistent with the provisions set forth in Massachusetts Regulation 209 CMR 46.00. The FDIC rates the CRA performance institution consistent with the provisions set forth in Appendix A to 12 CFR Part 345 of the FDIC's Rules and Regulations.

INSTITUTION'S CRA RATING:

This institution is rated "High Satisfactory" by the Division.

The institution is rated "Satisfactory" by the FDIC.

An institution in this group has a good record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities. Please note that while both agencies agreed on the performance of the institution, the FDIC's CRA regulation does not have separate categories within the Satisfactory rating; whereas, the Division's CRA regulation includes both a High Satisfactory and a Satisfactory rating.

The assigned rating is based on the results of two performance tests: the Lending Test and the Community Development Test. The Bank's performance under each of these two tests is summarized below:

Lending Test: "Outstanding" by the Division and the FDIC

- The loan-to-deposit ratio is reasonable given the institution's size, financial condition, and assessment area credit needs. The Bank's average net LTD ratio over the 13 quarters since the prior CRA evaluation dated April 30, 2010, was 92.5 percent.
- The Bank originated a substantial majority of its home mortgages and small business loans inside the assessment area.
- The distribution of residential loans reflects excellent penetration among individuals of different income levels (including low- and moderate-income). The distribution of small business loans reflects a good penetration to businesses of different sizes.

- There are no low- or moderate-income census tracts in the Bank's assessment area; however, all census tracts comprising Martha's Vineyard are designated as "underserved middle-income geographies" by the federal financial agencies. As previously noted, a significant majority of the Bank's loans were originated in these Martha's Vineyard geographies.
- There were no CRA-related complaints filed against the Bank during the review period, therefore this performance criterion was not a factor in assigning the overall rating.

Community Development Test: **"High Satisfactory" by the Division**
"Satisfactory" by the FDIC

- The Bank demonstrated adequate responsiveness to the community development needs of its assessment area. The Bank met these community development needs through community development loans, qualified donations, and community development services.

SCOPE OF EXAMINATION

This evaluation was conducted jointly by the Division and FDIC. Intermediate Small Bank (ISB) CRA evaluation procedures, as established by the Federal Financial Institutions Examination Council (FFIEC), were used to assess MVSb's CRA performance, as the Bank had total assets of at least \$296 million, but less than \$1.186 billion, as of December 31 of each of the prior two calendar years. These procedures evaluate the Bank's performance based upon a Lending Test and a Community Development Test. The Lending Test considers the institution's performance pursuant to the following criteria: loan-to-deposit (LTD) ratio; assessment area concentration; geographic distribution of loans; lending to borrowers of different incomes and businesses of different sizes (borrower profile); and, record of taking action in response to CRA complaints. The Community Development Test considers the number and dollar amount of community development loans, qualified investments, and community development services.

This evaluation focused on home mortgage and small business loans, as these reflect the primary loan products offered by MVSb. Considering the Bank's loan portfolio distribution and volume of lending by loan type during the evaluation period, more weight is given to the Bank's performance in home mortgage lending than in small business lending performance when arriving at overall conclusions. Consumer loans and small farm loans were not considered in the evaluation as consumer loans and small farm loans represent a nominal percentage of the loan portfolio.

Information concerning home mortgage lending was derived from the Bank's Loan Application Registers (LARs), reported pursuant to the Home Mortgage Disclosure Act (HMDA). The LARs contain data about home purchase and home improvement loans, including refinancing, of one-to-four-family and multi-family (five or more units) properties. While the tables within this evaluation depict 2011, 2012, and the first two quarters of 2013 home mortgage data, the primary focus of this evaluation is lending performance in 2011, as this is the most recent year for which aggregate data is available. Aggregate lending data is used for comparison purposes within the evaluation, and includes lending information from institutions that reported at least one loan in the Bank's assessment area in 2011. Residential lending activity for 2012 and 2013 was also

analyzed to identify any significant trends or anomalies. The borrower profile and geographic distribution criteria consider only those loans made within the Bank's designated assessment area.

As an ISB, MVSB is not required to collect and report its small business loan data, but the Bank has elected to collect this data internally. Information concerning small business lending was derived from internal loan reports. For purposes of this evaluation, small business loans include commercial real estate and commercial and industrial loans in amounts of \$1 million or less. Comparisons to small business aggregate data are not included, as the aggregate lenders are generally much larger institutions required to report small business lending data. Instead, the Bank's small business lending performance is compared to pertinent business demographic information provided by Dun & Bradstreet (D&B).

Demographic information from the 2000 U.S. Census data is used when evaluating MVSB's 2011 home mortgage lending and 2010 U.S. Census data is used when evaluating the 2012 home mortgage lending. Financial data was derived from the June 30, 2013 FFIEC Report of Condition and Income (Call Report).

Management provided data on community development loans, investments, and services for the period from April 1, 2010 through October 21, 2013; therefore, this is the timeframe subject to analysis for purposes of the Community Development Test.

PERFORMANCE CONTEXT

Description of Institution

MVSB is a mutual savings bank formed on November 1, 2007, when Dukes County Savings Bank merged with The Martha's Vineyard Co-operative Bank. The Bank operates the following branches: Chilmark, two branches each in Edgartown and Oak Bluffs, Vineyard Haven, West Tisbury, and Woods Hole. The "Flying Horses Branch" is a full-service branch in Oak Bluffs, and only operates seasonally from April to October. Since the previous evaluation, the Bank has not opened or closed any branches. The Woods Hole (Falmouth) branch, in operation since November 2009, continues to operate under the name "Bank of Woods Hole." Additionally, MVSB operates three remote automated teller machines (ATMs) on Martha's Vineyard. A new building, completed in 2010 in West Tisbury, houses the Martha's Vineyard Financial Group, the Bank's trust department.

The Bank offers a variety of products and services. Savings and checking accounts offered by the Bank include free and interest-bearing checking accounts, statement savings, money market savings, online savings accounts, certificates of deposit, and club accounts. Commercial lending programs include term loans, lines of credit, business construction loans and Small Business Administration (SBA) loans. Home financing programs include adjustable- and fixed-rate options for the purchase, refinance, improvement, and construction of residential property. In addition, the Bank offers first-time homebuyer programs, home equity lines of credit, and home equity loans. Auto loans, passbook loans and overdraft protection lines of credit are also offered. Other services offered by the Bank include telephone banking 24 hours a day, mobile banking, 24-hour ATMs, online banking, and individual retirement account services. For commercial customers, the Bank offers business debit card, merchant card processing, and bill payment services.

At June 30, 2013, the Call Report date used for this examination, the Bank had total assets of \$525.5 million. The Bank's primary business focus is residential real estate lending. As shown in Table 1, loans of all types total \$396.6 million, or 79.3 percent of total assets. Loans secured by one-to-four family residential properties account for the largest share of all loans with 67.1 percent of the portfolio. These loans include closed-end mortgage loans (including junior liens) as well as revolving home equity lines of credit.

Table 1 - Loan Portfolio as of June 30, 2013		
Loan Type	Dollar Amount (\$'000s)	Percent of Total (%)
Construction, Land Development, and Other Land Loans	27,323	6.9
Secured by Farmland	222	0.1
1-4 Family Residential (Revolving, open-end loans)	20,640	5.2
1-4 Family Residential (Closed-end loans secured by first liens)	241,251	60.8
1-4 Family Residential (Closed-end loans secured by junior liens)	4,228	1.1
Multi-Family (5 or more) Residential	25	<0.1
Secured by Nonfarm Nonresidential Properties	98,694	24.9
Total Real Estate Loans	392,383	99.0
Commercial and Industrial	2,460	0.6
Loans to Individuals for Household, Family and Other Personal Expenditures (Consumer Loans)	1,698	0.4
Other Loans	50	<0.1
Total Loans	396,591	100.0

Source: Report of Condition and Income (Call Reports) as of June 30, 2013.

The Bank has one subsidiary, DSC Securities Corporation, which holds the Bank's investment portfolio. Martha's Vineyard Financial Services is the Bank's trust department, which operates under its own name even though it is part of the Bank itself. Neither DSC Securities Corporation nor Martha's Vineyard Financial Services offer loans of any type to the public.

MVSB was last subject to a CRA evaluation on April 30, 2010, and was rated "Outstanding." There are no significant financial or legal impediments that would limit the Bank's ability to help meet the credit needs of its assessment area.

Description of Assessment Area

The CRA requires financial institutions to define an assessment area within which its CRA performance will be evaluated. Management has defined the Bank's assessment area as Dukes County, which includes the Island of Martha's Vineyard, the Elizabeth Islands, and Norman's Land Island. In November 2009, the Bank opened a new branch office in Woods Hole, a portion of the Town of Falmouth that consists of a single census tract (0149.00). As a result of this branch, the Bank has included this main-land census tract as part of its assessment area.

Martha's Vineyard is located five miles south of Woods Hole, the Island's primary access point located at the extreme southwest tip of Cape Cod. The island is approximately 20 miles long and 10 miles wide and made up of 6 towns: Tisbury, Oak Bluffs, Edgartown, West Tisbury, Chilmark, and Aquinnah. Dukes Country also includes the Town of Gosnold, which is made up of the Elizabeth Islands. Ferry service between Woods Hole and Vineyard Haven/Oaks Bluff provides the primary link between Martha's Vineyard and the mainland. Air transportation is also available at the Martha's Vineyard Airport, the only airport in Massachusetts that is owned and operated by a county.

The Bank's assessment area as currently defined meets the technical requirements of the CRA regulation since it: (1) consists of one or more political subdivisions, (2) includes the geographies where the Bank has its main office, branches, and deposit-taking ATMs, as well as the surrounding geographies in which the institution originated a substantial portion of its loans, (3) consists of whole census tracts, (4) does not extend substantially beyond state boundaries, (5) does not reflect illegal discrimination, and (6) does not arbitrarily exclude low- and moderate-income areas.

Table 2 – Assessment Area Demographics (2000 U.S. Census)

Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts)	5	0.0	0.0	80.0	20.0
Population by Geography	19,038	0.0	0.0	78.7	21.3
Owner-Occupied Housing Units by Geography	5,880	0.0	0.0	77.9	22.1
Businesses by Geography	3694	0.0	0.0	75.1	24.9
Family Distribution by Income Level	4,910	17.9	19.0	23.4	39.7
Median Family Income		\$59,453	Median Housing Value		\$318,998
HUD Adjusted Median Family Income for 2011		\$86,440			
Families Below Poverty Level		6.8%	Unemployment Rate		7.8%

**Source: 2000 U.S. Census and 2011 HUD updated MFI*

According to 2010 U.S. Census data, the composition of MVSb's assessment area changed slightly. Census tracts did not experience a change, however the population increased and the percentage of low income families increased in the assessment area.

Table 3 – Assessment Area Demographics (2010 U.S. Census)					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts)	5	0.0	0.0	80.0	20.0
Population by Geography	20,133	0.0	0.0	82.1	17.9
Owner-Occupied Housing Units by Geography	5,891	0.0	0.0	76.1	23.9
Businesses by Geography	3694	0.0	0.0	75.1	24.9
Family Distribution by Income Level	4,732	18.6	16.4	22.5	42.5
Median Family Income		\$87,940	Median Housing Value		\$687,646
FFIEC Adjusted Median Family Income for 2012		\$87,600			
Families Below Poverty Level		7.8%	Unemployment Rate		7.6%

**Source: 2010 U.S. Census, 2012 FFIEC updated MFI, and February, 2013 Bureau of Labor Statistics for Boston MA MD*

The Department of Housing and Urban Development (HUD) was responsible for estimating Median Family Income (MFI) figures annually through 2011. The MFI figures are used to determine the income level for borrowers and geographies. HUD estimated the 2011 MFI figure of MVSb's assessment area to be \$86,400. In 2012, the FFIEC provided estimates for the adjusted MFI. In 2012, the MFI for the Bank's assessment area was \$87,600.

Population

According to the 2010 U.S. Census, MVSb's assessment area has a total population of 20,133, comprised of 7,341 households, of which 4,732 are families. Of all families in the assessment area, 18.6 percent are low-income, 16.4 percent are moderate-income, 22.5 percent are middle-income, and 42.5 percent are upper-income. A closer look at the family demographics reveals the percentage of families below poverty level increased from 6.8 percent to 7.8 percent from the 2000 to the 2010 U.S. Census, and the percent of area households that receive some form of public assistance remained near 1.0 percent. These demographics may indicate reduced ability of this segment of the population to secure a mortgage loan, given the high median housing value for the assessment area. Therefore, the opportunity to lend to this market segment is limited, as the low-income segment of the population may not qualify for home mortgage financing.

Housing

MVSb's assessment area consists of 20,048 total housing units, of which 5,891 or 29.4 percent are owner-occupied and 7.3 percent are rental units. The seasonal homes on Martha's Vineyard contribute to a high percentage of vacant units totaling 12,707 or 63.3 percent during the off season months. During peak season, which occurs in the summer months, the population on Martha's Vineyard increases to 140,000 or more. The median housing value in 2012 for the assessment area was \$687,646. By census tract income level, 76.1 percent of owner occupied homes are in middle-income tracts and 23.9 percent of owner occupied homes are in upper-income tracts.

Business Information

According to 2012 D&B business demographic data, there are 3,830 businesses in the assessment area, of which 70.0 percent have gross annual revenues (GARs) of \$1 million or less, 3.1 percent have GARs greater than \$1 million, and the remaining 26.9 percent have unknown revenues. Similar to Martha's Vineyard housing population, many of the island's businesses, such as restaurants, galleries, and similar retailers, are seasonal in nature and operate during late spring through early fall months.

Of the total businesses in the assessment area, 75 percent are in middle-income census tracts, and 25 percent are in upper-income census tracts. The highest proportion of these business establishments are engaged in the services industry (36.2 percent). Businesses involved in retail trade (15.0 percent), finance/insurance/real estate (7.0 percent), construction (8.5 percent), transportation (4.0 percent), wholesale trade (2.6 percent), manufacturing (2.2 percent) and public administration (2.1 percent) make up some of the other establishments. In terms of employees, approximately 60.5 percent of the area's businesses employ four or fewer people.

Competition

MVSB competes with two other institutions that have a branch presence on the island, including Edgartown National Bank and Santander Bank. Aggregate HMDA data for calendar year 2011, the latest year aggregate data is available, show that MVSB ranked 2nd out of 81 financial institutions that originated a HMDA reportable loan in the Bank's assessment area. The financial institutions that lent on Martha's Vineyard include large national banks and mortgage companies.

Community Contact

In conjunction with this CRA evaluation, an interview was conducted with a community contact that serves the Bank's assessment area. This particular community contact is an organization that develops and sells affordable housing to low- and moderate- income residents of Martha's Vineyard. Although Martha's Vineyard is primarily known as a vacation destination for upper-income residents of New England, the majority of year-round residents struggle to keep up with rising housing prices on the Island. The organization sells homes to low- and moderate- income residents at a lower than market price, allowing these residents to afford housing on the Island.

It was mentioned during the interview that MVSB participates in the financing for some of these homes offered to low- and moderate-income borrowers. MVSB's first-time homebuyer program has been very beneficial to the organization and borrowers who applied for mortgages.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LENDING TEST

Loan-to-Deposit (“LTD”) Ratio

This performance criterion determines what percentage of the Bank’s deposit base is invested in loans. The Bank’s average net LTD ratio is reasonable at 92.5 percent, given the institution’s size, financial condition, and assessment area credit needs.

MVSB’s net LTD ratio is 89.9 percent as of June 30, 2013. During the evaluation period, the Bank’s quarterly net LTD ratio fluctuated over the period from a low of 89.7 percent as of September 30, 2011, to a high of 98.7 percent as of June 30, 2010. The average net LTD ratio of 92.5 percent was calculated by averaging MVSB’s 13 quarterly LTD ratios for the period of June 30, 2010, to June 30, 2013. Fluctuations in the Bank’s LTD ratio during the period reviewed can be attributed to the Bank selling loans on the secondary market. From April 2010 to June 2013, the Bank sold 134 loans totaling approximately \$32.6 million.

For the purposes of this evaluation, the Bank’s average LTD ratio was compared to a group of four other financial institutions of similar asset size and loan portfolio composition that operate in Southeastern Massachusetts. As shown in Table 4, the average LTD ratios ranged from 71.7 percent to 105.3 percent, placing MVSB in the middle of the range.

Table 4				
Net Loan-to-Deposit Ratio				
Bank	Assets (\$’000s)	Beginning LTD Ratio (6/30/2010)	Ending LTD Ratio (6/30/2013)	Net LTD Ratio
Seaman’s Savings Bank	319,908	76.9	75.2	71.7
Bank Five	747,288	81.8	77.1	78.3
Martha’s Vineyard Savings Bank	525,487	98.7	89.9	92.5
Edgartown National Bank	148,947	96.1	96.9	94.9
Cape Cod Co-operative Bank	689,550	101.2	105.5	105.3

Call Report data.

Assessment Area Concentration

This performance criterion determines what percentage of MVSB’s lending was inside and outside the assessment area. As Table 5 illustrates, the Bank originated a substantial majority of its home mortgage and small business loans within its designated assessment area.

Table 5 Distribution of Loans Inside and Outside of Assessment Area										
Loan Type	Number Loans					Dollar Volume ('000s)				
	Inside		Outside		Total #	Inside		Outside		Total \$
	#	%	#	%		\$	%	\$	%	
2011 HMDA										
Home Purchase	60	88.2	8	11.8	68	30,645	93.5	2,145	6.5	32,790
Home Improvement	18	100.0	0	0.0	18	4,714	100.0	0	0.0	4,714
Refinance	108	92.3	9	7.7	117	32,095	84.4	5,920	15.6	38,015
2011 Total	186	91.6	17	8.4	203	67,454	89.3	8,065	10.7	75,519
2012 HMDA										
Home Purchase	58	93.6	4	6.4	62	21,478	90.5	2,264	9.5	23,742
Home Improvement	33	100.0	0	0.0	33	9,577	100.0	0	0.0	9,577
Refinance	128	97.0	4	3.0	132	36,361	97.4	987	2.6	37,348
2012 Total	219	96.5	8	3.5	227	67,416	95.4	3,251	4.6	70,667
2013 HMDA										
Home Purchase	19	100.0	0	0.0	19	10,395	100.0	0	0.0	10,395
Home Improvement	4	100.0	0	0.0	4	895	100.0	0	0.0	895
Refinance	57	98.3	1	1.7	58	17,824	99.0	173	1.0	17,997
2013 Total	80	98.8	1	1.2	81	29,114	99.4	173	0.6	29,287
Total Home	485	94.9	26	5.1	511	163,984	93.5	11,489	6.5	175,473
Small Business Loans										
2012	11	92.0	1	8.0	12	184	98.9	2	1.1	186
Grand Total	496	94.8	27	5.1	523	164,168	93.4	11,491	6.6	175,659

Source: 2011, 2012 & 2013 (2Qtrs) HMDA LARs and Small Business Loan Data for 2012.

Home Mortgage Lending

In 2011, the Bank originated 203 loans, of which 186 were originated inside the assessment area. The trend of lending inside the assessment area increased to 96.5 percent inside the assessment area in 2012 and 98.8 percent in the first two quarters of 2013. The percentage of loans by dollar volume inside the assessment area was consistent with the percentage by number. Overall, at 94.9 percent, the Bank originated a substantial majority of home mortgage loans inside the assessment area during the evaluation period.

Small Business Lending

MVSB also originated a substantial majority of its small business loans by number and dollar volume in the assessment area in 2012. Overall, the Bank made 11 small business loans inside its assessment area totaling \$184,000, which accounted for 92.0 percent by number and 98.9 percent by dollar volume of loans during the evaluation period.

Borrower Profile

This performance criterion evaluates the distribution of MVSB's home mortgages by borrower income level, and small business loans by GAR level. For residential lending, emphasis is placed on loans to low- and moderate-income borrowers, and for small business lending, emphasis is placed on loans to businesses with GARs of \$1 million or less.

Home Mortgage Lending

Overall, the distribution of borrowers reflects excellent penetration among retail customers of different income levels and businesses of different sizes. Table 6 shows the distribution of residential mortgage loans originated in 2011, 2012 and the first two quarters of 2013 by borrower income level. Demographic and aggregate data are included for comparison purposes.

Table 6 Distribution of Home Mortgage Loans by Borrower Income Level									
Borrower Income Level	% of Total Families (2000 Census)	2011 Bank Lending		2011 Aggregate Lending Data	2012 Bank Lending		% of Total Families (2010 Census)	2013 Bank Lending	
		#	%	(% of #)	#	%		#	%
Low	17.9	14	7.5	1.9	16	7.3	18.6	1	1.3
Moderate	19.0	29	15.6	8.0	55	25.1	16.4	15	18.8
Middle	23.4	50	26.9	12.0	50	22.8	22.5	23	28.7
Upper	39.7	85	45.7	61.5	98	44.8	42.6	41	51.2
NA	0.0	8	4.3	16.6	0	0.0	0.0	0	0.0
Total	100.0	186	100.0	100.0	219	100.0	100.0	80	100.0

2011, 2012 and 2013 (Q1-Q2) HMDA LARs, 2000 & 2010 Census Data

In 2011, the Bank originated 7.5 percent of its home mortgage loans to low-income borrowers, which far exceeded aggregate data at 1.9 percent. The Bank's performance in 2012 was consistent with its level of lending to low-income borrowers in 2011. Of 81 institutions that originated or purchased at least one home mortgage loan in the assessment area in 2011, MVSB ranked 1st. The Bank also originated a single home mortgage loan to a low-income borrower in the first six months of 2013.

The Bank's performance of lending to moderate-income borrowers exceeded aggregate lending levels in 2011, and increased significantly in 2012. The trend in 2013 showed that the Bank continued to exceed applicable demographic data.

MVSB has an active First Time Homebuyer Program. From January 1, 2011, through the first two quarters of 2013, the Bank originated 31 loans totaling \$6.6 million through this program. During this same period, the Bank worked with an affordable housing fund to develop and rehabilitate dwellings within its assessment area. Upon completion of the subdivision, the Bank offered financing to the recipients of these properties. The financing opportunity offered a reduced down payment, no Private Mortgage Insurance, as well as the current market interest rate. The Bank financed three of these homes totaling \$501,014. These types of loan programs demonstrated MVSB's commitment to address the credit need of the assessment's areas low- and moderate-income borrowers.

Small Business Lending

MVSB's distribution of small business loans reflects reasonable penetration to businesses of different sizes. Table 7 illustrates the distribution of the Bank's small business loans within the assessment area by the revenue size of the business, and includes applicable business demographics for comparison purposes.

Table 7			
Distribution of 2012 Small Business Bank Loans by Revenue			
Total Bank Loans	Businesses with Revenues of \$1 million or less		
	% of Businesses	# of Bank Loans	% of Bank Loans
11	70.0	9	72.8

Source: 2012 Small Business Loan Data and 2012 D&B Data

As shown in Table 7, the Bank originated nine, or 72.8 percent, of its small business loans to businesses with GARs of \$1 million or less in 2012. Performance in 2012 is slightly above the percentage of businesses in the assessment area that reported GARs of \$1 million or less. It is further noted that all of the loans originated inside the assessment area were for amounts smaller than \$50,000, ranging from \$4,000 to \$40,000.

Geographic Distribution

This performance criterion evaluates the distribution of MVSB's home mortgages and small business loans by income level of census tract. As the Bank's assessment area does not include any low- or moderate-income geographies, limited weight is placed on performance under this criterion. As previously noted, the four tracts that comprise Martha's Vineyard are designated as underserved middle-income geographies, and a substantial majority of loans were made in these tracts. All of the Bank's small business loans, and all but three home mortgage loans were made in the middle-income tracts of Martha's Vineyard during the evaluation period, which is reasonable considering the size and focus of the institution and the demographic composition of the assessment area.

Response to Complaints

The Bank did not receive any CRA-related complaints during the evaluation period.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

The Bank's compliance with the laws relating to discrimination and other illegal credit practices was reviewed, including the Fair Housing Act and the Equal Credit Opportunity Act. No evidence of discriminatory acts or illegal credit practices was identified.

COMMUNITY DEVELOPMENT TEST

MVSB's community development performance demonstrates good responsiveness to the community development needs of its assessment area. The Bank met these community development needs through community development loans, qualified grants, and community development services.

MVSB's assessment area is composed of five census tracts: four middle-income census tracts on the Island of Martha's Vineyard and one upper-income census tract in Woods Hole. All four of the Martha's Vineyard middle-income non-metropolitan census tracts are designated as underserved by the federal regulatory agencies. Revised guidance for evaluating activities in designated underserved middle-income non-metropolitan areas states, in part, "that activities

revitalize or stabilize an underserved non metropolitan middle-income geography if they help meet essential needs, including the needs of low- or moderate-income individuals.”

Community Development Loans

For purposes of this evaluation, a community development loan is defined as a loan that: (1) has community development as its primary purpose, (2) has not already been reported by the Bank for consideration under small business or home mortgage lending (unless it is a multifamily dwelling loan), and (3) benefits the Bank’s assessment area or a broader statewide or regional area that includes the bank’s assessment area.

During the evaluation period, the Bank originated nine community development loans totaling \$1,564,846. This equates to 0.4 percent of net loans as of June 30, 2013. Summarized in Table 8 are the community development loans by community development category and year originated.

Table 8 Community Development Loans								
Community Development Category	2 nd – 4 th QTR 2010		2011		2012		1 st & 2 nd QTR 2013	
	#	\$	#	\$	#	\$	#	\$
Affordable Housing for LMI	1	200,000	0	0	0	0	3	358,068
Community Services Targeted to LMI	0	0	0	0	1	10,000	0	0
Promote Economic Development	0	0	3	930,000			1	66,778
Revitalize LMI geographies	0	0	0	0	0	0	0	0
Total	1	200,000	3	930,000	1	10,000	4	424,846

Source: Internal bank records

Described below is a representative example of community development loans made by the Bank during the evaluation period:

- The Bank originated three loans totaling \$946,778 to a non-profit economic development organization that promotes economic development in the Bank’s assessment area.
- In 2013, the Bank made a loan of \$79,801 to an organization that provides affordable housing for the Island’s low-income elderly and disabled individuals and families.
- The Bank made a loan of \$254,245 to a local housing authority that provides affordable housing for year-round residents as well as rental assistance, homebuyer training, and other housing-related support.
- In 2010, the Bank made a loan of \$200,000 to a tribal housing authority that provides affordable housing in the assessment area.

Community Development Investments

A qualified investment for the purposes of this CRA evaluation is a lawful investment, deposit, membership share, or grant that has community development as its primary purpose.

The Bank’s qualified investments during the evaluation period consist solely of donations. For calendar years 2011 and 2012, the Bank’s donations represented 1.0 percent and 0.3 percent of

pre-tax net operating income, respectively. Table 9 illustrates the Bank's community development donations by year and by purpose.

Table 9 Community Development Donations								
Community Development Category	2 nd – 4 th QTR 2010		2011		2012		1 st & 2 nd QTR 2013	
	#	\$	#	\$	#	\$	#	\$
Affordable Housing for LMI	1	5,000	3	10,200	1	100	0	0
Community Services Targeted to LMI	7	274,311	17	63,628	10	15,446	5	7,156
Promote Economic Development	3	2,150	2	2,000	1	1,000	1	2,500
Hurricane Sandy Relief	0	0	0	0	1	250	0	0
Total	11	281,461	22	75,828	13	16,796	6	9,656

Source: Internal bank records

Below is a representative example of the organizations to which the Bank made community development donations during the evaluation period:

- Island Affordable Housing – This organization rehabilitates existing structures and builds affordable homes for year-round Island residents.
- Vineyard House, Inc. – This entity provides temporary housing and support for individuals who are recovering from substance abuse.
- The Permanent Endowment Fund – The endowment fund provides grants and services to non-profit organizations on Martha's Vineyard. Donations benefited affordable housing, elderly, health and human services, community civic affairs, and recreation and youth.
- Red Stocking – Provides food and clothing for needy children on Martha's Vineyard.

Community Development Services

A community development service has community development as its primary purpose and is generally related to the provision of financial services or technical services and assistance. Shown in Table 10 is the number of community development services provided by the Bank during the evaluation period.

Table 10 Community Development Organizations	
<i>Community Development Category</i>	
Affordable Housing for Low- and Moderate-Income	3
Promote Economic Development	2
Community Services Targeted to Low- and Moderate-Income	8
Total	13

Bank officers and employees are involved in many local community development and non-profit organizations in various capacities. Bank personnel provide these organizations with financial and management expertise while serving as Directors, officers, Loan Committee members, and volunteers. Below is a representative example of employee involvement:

- A loan recovery specialist serves on the land acquisition and credit committees of Habitat for Humanity.

- An Executive Vice President served as a Board member of SouthEastern Economic Development (SEED) Corporation.
- An Executive Vice President served as Chairman for the Island Housing Trust, which provides affordable housing.
- The Executive Assistant provides accounting and organizing for MV community Services. This organization provides numerous services including early childhood programs, services for persons with disabilities, abuse counseling, a majority of which are targeted toward the low- and moderate-income population.
- A mortgage department employee serves on the Board of the Vineyard Nursing Association. This organization provides nursing, home health care and other services primarily to low- and moderate-income elderly patients. This employee also serves on the Finance Committee and the Executive Committee.
- An Assistant Branch Manager serves on the Board and is the treasurer for Hospice of Martha's Vineyard, which provides free hospice care to those in need, primarily individuals of low- and moderate-income.

Educational Services

MVSB is involved in numerous educational seminars. Those seminars are noted below:

- *SouthEastern Economic Development (SEED) Corporation: Annual Workshop* - In conjunction with Martha's Vineyard Chamber of Commerce, the Martha's Vineyard Commission, and SCORE, the Bank participated in the annual small business workshops covering the following topics: "Learn the Fundamentals in Planning, Preparing For, and Financing Your Business" and "Understanding the Purpose of Financial Statements and How They Can Help Determine the Health of Your Business." There were two seminars conducted during the evaluation period.
- *Dukes County Regional Housing Authority: Homebuyer Workshops* - The Bank's residential lenders participate in workshops to help prepare future homeowners. The workshops are held at least annually or in conjunction with affordable housing lotteries on the Island. Bank representatives discuss how to qualify for credit, the loan programs and products available, down-payment assistance, and budgeting. The Bank conducted three such workshops during the evaluation period.
- *Save For America (SFA) (School Savings Program K-8)* - Since 1993 the Bank has, with the support of parent volunteers, been administering the weekly school savings program in all five public elementary schools as well as the Public Charter School. The Bank covers all the program costs, credits each interest-bearing account with the initial \$1 deposit, and awards \$5 and \$10 Steady and Super-Saver awards to those student who bank consistently throughout the school year. The program teaches students to use online banking using software provided by SFA, and quarterly statements are mailed to joint-account owners (child and parent/guardian). As part of the program, the Bank provides all School Savers and libraries with an ABA Education Foundation Money Talks Quarterly Newsletter.

- *Martha's Vineyard Regional High School: Wellness Day* - The Bank conducts an annual two-part presentation on "Are You Creditworthy?" and "Understanding Identity Theft."

Other Community Services

- *Island Affordable Housing Fund* - The Bank is part of a three-bank consortium established in September 2003 to assist first-time homebuyers. The Fund provides second mortgages and closing cost assistance to income eligible borrowers to eliminate the need for private mortgage insurance and closing costs. The loans provided by the Fund are administered by the Bank at no charge to the Fund or the borrowers.
- *Interest on Lawyers Trust Accounts (IOLTA)* - The Bank maintains Interest on Lawyers Trust Accounts (IOLTA), a funded program of Massachusetts, which provides legal assistance to over 100,000 individuals across the state. IOLTA continues to be the primary source for consumer, family, education, disability, and elder law services for low-income clients. The goal of the program is to use the interest received for the improvement of the administration of justice and for civil and legal services for low-income clients. During the evaluation period, the Bank paid \$153,897 in interest on these accounts.
- *Martha's Vineyard Foreclosure Resources Task Force* - A Bank Loan Collections Specialist served as a member of a community-wide taskforce to develop simple guidelines and a list of resources and contacts as a reference guide for homeowners experiencing financial difficulties.
- *Habitat For Humanity* – The Bank provides loan servicing for the local Habitat chapter. The servicing is offered at no-charge to the non-profit affordable housing construction and mortgage company.
- *Gate Keepers* – The bank is involved in elder crime prevention and safety of the elder community. Account activity is monitored by trained staff for suspicious activities.
- The bank also participates in the Massachusetts Community and Banking Council's (MCBC) Basic Banking in Massachusetts program. This statewide program is designed to offer low cost checking and savings accounts to low- and moderate-income individuals.

NON-METROPOLITAN AREA

DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE NON-MSA AREA OF MARTHA'S VINEYARD

MVSB's corporate headquarters is located at 78 Main Street, Edgartown, Massachusetts. This portion of the Bank's assessment area includes all of Dukes County, which is the Island of Martha's Vineyard off the coast of Cape Cod. The Bank operates seven banking offices on the Island; two in Edgartown, two in Oak Bluffs (one branch is seasonal), and one each in the communities of Chilmark, Vineyard Haven, and West Tisbury. Each office is equipped with an ATM, and the Bank operates three remote ATMs on the Island as well. The four census tracts that comprise the non-MSA portion of the assessment area are all middle-income tracts. The bank has not opened or closed any branches in this portion of the assessment area since the prior evaluation.

As previously noted, there was no change in the census tract composition of Martha's Vineyard between the 2000 and 2010 U.S. Census. Total population, however, increased slightly from 2000 to 2010, and the distribution of families by income level remained relatively constant, with an increase in families with incomes below the poverty threshold. The most notable change is the median housing value, which more than doubled between the 2000 U.S. Census and the 2010 U.S. Census.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE NON-MSA

Lending Test

As a substantial majority of home mortgage and small business loans were originated in this non-MSA portion of the assessment area during the evaluation period, performance in this area is reflected in the overall analysis. For example, 184 of 186 home mortgages originated inside the assessment area in 2011 were made in this portion of the assessment area. Furthermore, all small business loans originated in 2012 were made on the Island. Consequently, the distribution of home loans by geography and borrower income or business revenue was consistent with overall performance in the assessment area as a whole. Please refer to the overall Lending Test for further detail.

Community Development Test

Overall, the Bank's community development activity in this portion of the assessment area was consistent with community development activity in the assessment area as a whole. Please refer to the overall Community Development Test section for detailed examples of such activities.

METROPOLITAN AREA

DESCRIPTION OF INSTITUTION'S OPERATIONS IN BARNSTABLE, MA METROPOLITAN STATISTICAL AREA (MSA)

MVSB maintains one branch office in this MSA, at 2 Water Street, Falmouth, Massachusetts. The office is located in what is commonly referred to as Woods Hole. The area consists of one upper-income census tract. The bank has not opened or closed any branches in this portion of the assessment area since the prior evaluation.

Ferry service to Martha's Vineyard originates in Woods Hole. Population of the Woods Hole upper-income census tract is 3,598 according to 2010 U.S. Census data. A majority of families are upper-income, with families below the poverty threshold representing a smaller portion of families than that of the assessment area as a whole.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN BARNSTABLE, MA MSA

Lending Test

At two home mortgage loans originated in this portion of the assessment area in 2011, and a nominal volume of home mortgage loans and no small business loans overall during the evaluation period, an analysis of lending activity in this portion of the assessment area would not yield meaningful conclusions.

Community Development Test

Community development initiatives by the Bank in this portion of the assessment area have been somewhat limited, and not consistent with the level of community development activities in the overall assessment area. As this is an upper-income census tract, opportunity for such activities is limited.

APPENDIX A

Division of Banks Fair Lending Policies and Procedures

The Bank's fair lending performance was reviewed to determine how it relates to the guidelines established by Regulatory Bulletin 1.3-106, the Division's Community Reinvestment and Fair Lending Policy. Based upon the review of the Bank's public comment file and its performance relative to fair lending policies and practices, no violations of anti-discrimination laws and regulations were identified.

The Bank relies on its third-party auditor for the monitoring and audit component. The Bank is proactive in establishing a complete monitoring program, which will include Fair Lending. The training program is developed by the Bank's Compliance Trainer and Compliance Officer. The Bank has specific training courses provided to employees on an annual basis, including fair lending. The Board of Trustees also receives annual fair lending training.

The Bank utilizes multiple formats to conduct training, such as online, through American Bankers Association, in-house, and webinar/seminars. Courses are scheduled for all employees based on their department and job-function for the entire year. The schedule and completion of these courses are tracked and well documented.

The Bank has adequate second review practices in place. The Bank has adequate complaint resolution procedures and practices.

Minority Application Flow

A review of residential loan applications was conducted in order to determine the number of HMDA-reportable applications the Bank received from minority applicants. In 2011, 2012, and the first two quarters of 2013, the Bank received 694 residential loan applications from within its assessment area. During this period, 40 applications were received from applicants of a racial minority, and 8 were received from applicants of Hispanic or Latino ethnicity. Of these 48 applications, 30 resulted in originated loans.

In order to derive reasonable expectations for the rate of residential mortgage loan applications the Bank received from minorities, the Bank's minority application flow in each year was compared with the racial and ethnic composition of the assessment area and 2011 aggregate data. The aggregate data includes all other HMDA reporters that reported the origination or purchase of at least one home mortgage within the Bank's assessment area. Aggregate data for 2012 was not yet available as of this evaluation date.

According to 2010 U.S. Census data, the Bank's assessment area had a total population of 20,048, of which 12.6 percent was minority by race or ethnicity. The composition of the assessment area's minority population is as follows: 2.2 percent Hispanic; 5.9 percent "other race"; 1.0 percent Asian/Pacific Islander; 2.6 percent Black; and, 0.9 percent American Indian/Alaska Native.

Minority Application Flow					
RACE	2011 Aggregate Data	Bank 2011		Bank 2012	
	%	Amt	%	Amt	%
American Indian/ Alaska Native	0.3	3	1.1	0	0.0
Asian	0.8	0	0.0	1	0.3
Black/ African American	3.6	11	4.1	11	3.4
Hawaiian/Pac Isl.	0.1	0	0.0	0	0.0
2 or more Minority	0.2	2	0.7	0	0.0
Joint Race (White/Minority)	1.2	7	2.6	4	1.3
Total Minority	6.2	23	8.5	16	5.0
White	69.2	213	78.9	272	85.0
Race Not Available	24.6	34	12.6	32	10.0
Total	100.0	270	100.0	320	100.0
ETHNICITY					
Hispanic or Latino	0.3	3	1.1	2	0.6
Not Hispanic or Latino	73.6	227	84.1	284	88.8
Joint (Hisp/Lat /Not Hisp/Lat)	0.6	2	0.7	1	0.3
Ethnicity Not Available	25.5	38	14.1	33	10.3
Total	100.00	270	100.0	320	100.0

Source: 2011, 2012; HMDA LARs, 2011 Aggregate Data

The Bank exceeded 2011 aggregate data for application from both ethnic and racial minorities. The Bank received 8.5 percent of applications from racial minorities while the aggregate stood at 6.2; and ethnic minorities represented 1.8 percent of total applications of the Bank while the aggregate received .9 percent.

The Bank's minority application flow, when compared to the aggregate's lending performance levels and the assessment area demographics, is deemed to be adequate. However, the Bank's application rate for 2012 shows a downward trend in both categories as does the first two quarters of 2013, where there has been one application from a racial minority applicant and there have been no applications from ethnic minority applicants.

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations, and Part 345 of the Federal Deposit Insurance Corporation's Rules and Regulations, require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks and the Federal Deposit Insurance Corporation, at 78 Main Street, Edgartown, MA 02539."

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agencies, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.